

**Before the Federal Communications Commission
Washington, DC 20554**

In the Matter of:)	
)	
Schools and Libraries Universal)	CC Docket No. 02-6
Service Support Mechanism)	

**COMMENTS SUBMITTED BY THE
MISSOURI RESEARCH AND EDUCATION NETWORK
(MOREnet) IN RESPONSE TO THE
NOTICE OF PROPOSED RULEMAKING & ORDER
RELEASED JANUARY 25, 2002**

Introduction

In this Notice of Proposed Rulemaking and Order (NPRM), the Commission has requested comments on specific issues and on the general program administration so that the Commission and the Administrator can fine-tune the program in ways that improve operation, ensure equitable distribution of program funds and prevent fraud, waste and abuse. We appreciate the opportunity to comment on these important issues and strive to provide the perspective of a statewide organization serving schools and libraries as Missouri's E-rate coordinator. We advocate the following principles as relevant to the Telecommunications Act of 1996:

- A. The program should be competitively neutral regarding technology, vendors, and procurement.
- B. Sound public policy direction and the interests of the applicants should guide determination of which services are eligible or ineligible.
- C. Eligibility based on functionality of a service or piece of equipment should be the "prime directive" for determination of eligible services.
- D. Cost effective technology solutions for the applicant should govern the determination of eligible services, not whether services are leased, purchased or secured with a lease/purchase option.
- E. Where there is conflict between these principles, the outcome should be in the best interests of the applicant, within the logic of cost effectiveness and intent of the law and Commission orders.

We believe these principles should be guiding factors in any decisions related to program improvement and changes to Commission rules. They are principles that would simplify administration, ensure equitable distribution of program funds and greatly reduce fraud, waste and abuse. The rules and procedures of the program have become increasingly complex in the quest to prevent fraud, waste and abuse. We believe that this situation causes exceptionally high applicant frustration, unnecessary administrative costs, and contributes to waste in the program.

I. Answers to Requests for Comment

A. Application Process

1. Eligible Services

Eligible Services Process

The law at 47 U.S.C. Section 254(h)(2) specifies that “[t]he Commission shall establish ***competitively neutral rules*** [emphasis added].... to enhance, to the extent technically feasible and economically reasonable, access to advanced telecommunications and information services for all public and non-profit elementary and secondary school classrooms, health care providers, and libraries; and ...to define the circumstances under which a telecommunications carrier may be required to connect its network to such public institutional telecommunications users.”

MOREnet believes attempting to discern the eligibility or non-eligibility of every technological component of telecommunications and advanced services so there is absolute assurance that every single piece of hardware, software and equipment is accounted for is administratively impossible in a Program the size and complexity of the E-rate Program. The current process has led to the unfortunate limiting of school-based choices as solutions to their technology infrastructure problems.

As the list has become more specific, schools have been forced to choose technological solutions that are not as cost effective or current, but meet the guidelines of the program. For example, leasing technology as a complete package from a common carrier offers greater assurance that the service will be eligible for discount. Developing a wireless solution by purchasing wireless components is virtually guaranteed to NOT offer a discount for the majority of schools. Therefore, leasing wireline equipment through an eligible telecommunications carrier, while potentially more expensive over the longer term, is a solution that is becoming more frequently employed because the E-rate program discounts that solution. Innovation is discouraged by the rules because applicants fear denial of funding.

The primary functionality of equipment should be the guiding criteria to support eligibility. If, according to the manufacturer, a particular piece of equipment has a primary function of delivering telecommunications and Internet services to the school or library it should be eligible. If, according to the manufacturer, the primary purpose is not the delivery of telecommunications and Internet services but may be used for that purpose by an applicant, it should be eligible provided the applicant certifies it is being used for the purpose.

Computer List of Eligible Services

Any Program that has an Eligible Service List of 35 pages with a large number of services specified as “conditional” is inherently confusing. As identified above, MOREnet believes that functionality is the most important principle governing the eligibility of services and products. We do not favor a specific list of approved products because specific products can be used for a variety of functions, some of which are eligible and some not. This has led to tremendous

confusion among E-rate applicants who, referencing the current eligible services list, cannot discern whether the item in question is eligible due to issues of functionality and scope.

However, the eligible services list should not be restrictive since that would violate the tenet of competitive neutrality. Applicants should be given the ability to reference items not on the list in the application process and, if requested, provide documentation to support the item's eligibility.

Selection of Products and Services

The Commission should modify the current selection of products and services eligible for support in the E-rate program. As noted above, the current process discriminates against certain technologies. The Eligible Services List should not be used as a litmus test for the applicants, but as a documented list of what technologies other applicants have implemented. The Program Administrators should base individual eligibility decisions based on the functionality of the equipment or service, not whether it is currently in use by another applicant.

Wide Area Networks (WAN)

Network Definitions:

We suggest the use of definitions of known terms and some additional terms to ensure a common understanding. There is no logical reason for the Commission or the Administrator to create unique definitions. The definitions below are from the Institute for Telecommunications Services of the National Telecommunications and Information Administration, Department of Commerce. They can be found at: http://www.its.bldrdoc.gov/fs-1037/dir-021/_3083.htm.

LAN - Local area network: A [data communications system](#) that (a) lies within a limited spatial area, (b) has a specific [user](#) group, (c) has a specific topology, and (d) is not a public switched telecommunications [network](#), but may be connected to one. (188) *Note 1:* LANs are usually restricted to relatively small areas, such as rooms, buildings, ships, and aircraft.

CAN - Campus Area Network: An [interconnection](#) of LANs within a limited geographical area, such as a military base (school campus).

MAN - [metropolitan area network](#): An interconnection of LANs over a citywide geographical area. (A MAN could also interconnect CANs.)

WAN - [wide area network](#): An interconnection of LANs over large geographical areas, such as nationwide (statewide). (A WAN could also interconnect CANs and MANs.)

Changing Funding Priority Definitions:

To fully implement these definitions, we propose a change in the distinction between Internet access, Telecommunications services, and Internal connections to reflect Transport Services versus Internal Operations. The distinction between Telecommunication and Internet access is

artificial and is not consistent with either the daily operations or the needs of applicants. For basic eligibility and priority determinations, we submit that the real distinction is between Transport services and Internal Operations. We recognized the CIPA requirement for a distinction between Internet Access and Telecommunications Services, but this can be easily accommodated. (See CIPA Compliance below.)

Transport Services versus Internal Operations

The distinction between Transport and Internal Operations (Non-transport Services) is relatively easy for non-technical applicants to understand. It is also much easier to describe in developing rules and eligible services. Transport circuits, devices, and services would be Priority One services. All other services and equipment would be Priority Two services.

We offer the following definition of Transport: “Any circuit, device, or service whose primary function is the transportation of voice, video, or data from the building or campus demarc to an external location. Circuits may include POTS lines, high-speed connections, etc. whose specific purpose is the transport of voice, video, or data traffic beyond the building or campus demarc. Devices would include routers, switches, CSUs, and DSUs that function as a traffic control device at the demarc whose primary purpose is to route traffic beyond the building or campus demarc. Devices may also include wireless facilities (transmitters, receivers, towers, etc.) for the transport of voice, video, or data traffic beyond the building or campus demarc. Services may include circuits (bandwidth) and devices provided as a package, but would not include content. Services would also include cellular phone and wireless transmission services.” All other services and equipment would be considered Internal Operations.

Competitive And Technological Neutrality:

In order to maintain the concepts of competitive and technological neutrality, there should not be a distinction between lease, purchase, or lease-purchase. Indeed, there could be a leased and a purchased component to Transport. For example, an applicant could lease a T1 from a provider, but purchase the router and CSU from a different provider.

There also should not be a limitation based on a regulated common carrier. While an applicant could certainly contract with a common carrier to provide circuit, router, and CSU as a packaged service, the solution should be the most cost effective for the applicant.

The current policy is anti-competitive because only telecommunications carriers can offer WAN services to applicants and only in a leasing arrangement. Despite the efforts of the Commission, and the stated intent of the Telecommunications Act of 1996, we believe telecommunications competition has declined rather than increased. If there is to be any competition for telecommunications services, service providers other than telecommunications carriers will have to provide it in many locations.

The current policy is also unfair because it holds applicants hostage to the abilities of their local telecommunications carriers. If the incumbent carrier does not have the capital and infrastructure to provide an applicant a solution for their needs, the applicant has no option available to them

under the current Program rules. The common carriers should not fear this change. A local ISP providing premise services to an applicant will ultimately purchase the bandwidth from the common carrier community in most locations, because they are the primary providers of these services. In locations where they are not, local competition should drive the market, not E-rate Program rules.

If the Commission is serious about competition and driving technological improvements, then the rules should promote rather than limit this activity. To do otherwise, would be analogous to the federal government specifying automobiles could only be purchased from stables and wagon-makers. Technology is changing and the regulated common carrier preference built into the Program rules inhibits the growth and use of advanced information services in our schools and libraries by stifling innovation and inhibiting competition.

Eligibility Criteria

We propose the following eligibility criteria:

LANs would be considered Internal Operations and would be eligible as Priority Two services.

CANs would be considered Internal Operations and would be eligible as Priority Two services, regardless of right-of-ways.

MANs and **WANs** should be eligible as Priority One services, in the below order of precedence, if:

1. Leased from a telecom provider as access to a public network of services.
Note: This is inclusive of end-to-end services (routers/CSUs located at the school/district).
2. Leased from a cable company as access to a public network of services. Same Note.
3. Leased from a wireless provider as access to a public network of services. Same Note.
4. Purchased when there is no public network of services available, or where purchase is the most cost effective solution.

CIPA Compliance

Because compliance with the Children's Internet Protection Act (CIPA) is tied to Internet Access versus Telecommunications, the FCC would need to maintain the distinction between these services. This can be easily accomplished without deviating from the greater definition of Transport Services versus Internal Operations. Internet access and Telecommunications would be subsets of Transport Services.

Definitions of Internet access and Telecommunications

We propose Internet access be defined as: "Circuits (including associated equipment and services) that connect an applicant location or network (MAN or WAN) directly to the Internet." Telecommunications should be defined as: "(1) Local dial tone (including associated equipment

and services). 2) Traditional long distance voice services, including voice over IP (VoIP). 3) High speed voice, data, and video circuits (including associated equipment and services) that connect an applicant location or network to other locations, networks, or aggregation points.”

Avoiding Waste/Abuse:

We are sure that many applicants would desire their own fiber network, but as a matter of public policy, should E-rate fund them absent other criteria? We do not believe so. The goal of an effective program should be that eligible entities have the most cost effective network of services, as Priority One, but not limit those services to telecom providers. We believe, as noted above, that the real problem is the classification of Priority 1 versus Priority 2 services.

A WAN is an efficient way to deliver services throughout a community, consortia, or state. Centralized use of software, use of shared resources, communication among schools for educational opportunities all contribute to a better-managed and more successful district or community. Because the program is supposed to meet the needs of the applicants and adhere to the principle of competitive neutrality, we believe that the current system of allowing leasing from a telecommunications carrier versus prohibiting owning one’s own network is anti-competitive, wasteful, and retards deployment of new technologies.

Wireless

Wireless solutions are often used by rural schools and libraries for which wire technology is not an adequate solution and by older schools and libraries with asbestos concerns. However, the current Priority 1 and Priority 2 distinction causes most cost effective wireless solutions to suffer from the same discrimination identified in the WAN discussion above. If the Commission included the components necessary for wireless transport in Priority 1 because their use is external to the building, rather than distinguishing what a district buys vs. leases, the competitive nature of the service solution will be greater. Further, for those schools and libraries for which there is no wire solution, they would have a reason to apply for E-rate funds. This would broaden the pool of applicants to include some who have never applied before.

Other Services, Internet2

General:

There are essentially two E-rate related components to the Internet2–K20 Initiative: I2 Transport (connectivity) and Sponsored Educational Group Participant fees. The Internet2 web site at <http://www.internet2.edu/k20/segp/background.shtml> has an explanation of the I2–K20 Initiative.

K-12 schools and public libraries (as well as community colleges, museums, hospitals, etc) can have access to Internet2 under the Sponsored Educational Group Participant (SEGP) Initiative. The design of the SEGP Initiative is to foster routine collaboration on instructional, clinical and/or research projects, services and content with Internet2 members or with other sponsored participants. The Internet2-K20 initiative is not about high bandwidth; it is about using high

bandwidth to provide a better educational experience through collaboration among educational and related institutions. The SEGP Program is the means by which K-12 schools and public libraries can access these advanced telecommunications services.

From a public policy perspective these services have considerably more value than basic phone service, but have been treated largely as ineligible services until very recently. Our comments seek to ensure that no school or library gets “left behind” because the E-rate program cannot keep up with changes in technology. This is not an attempt to circumvent the rules by funding higher education connectivity. The same rules on handling consortia with both eligible and ineligible entities would still apply. K-12 schools and public libraries should not be penalized simply because Internet2 started as a higher education program and only recently expanded to include K-12 schools and public libraries.

I2 IP Transport:

Transport is access to the Abilene network. It is essentially IP transport to the Abilene network with the expectation of routine collaboration for educational and research purposes. It is clearly advanced telecommunications transport, but it is still transport, nonetheless. We argue that this is one reason why the E-rate program was designed – to “enhance access to advanced telecommunications and information services.” (1996 Act)

I2 access should be eligible as IP transport under either telecommunications or Internet access. Which “bucket” is applied for would be an applicant decision based on a variety of factors such as, type of circuit, provider, etc. Currently T1 egress from an applicant site could be either Internet access or Telecommunications. No special distinction should be applied based on whether it is I1 or I2 access.

SEGP Fees:

SEGP's pay participant fees to the Abilene Connector who is required to pay Internet2 for SEGP participation. These SEGP fees are distinctly different from the fees paid by the I2 member institutions to belong to Internet2. A SEGP fee should be eligible for discount because it is a cost-sharing fee in precisely the same fashion as commodity Internet access related fees. I2 participation fees are not for content; rather, they only allow SEGP's to access the Abilene network.

If eligibility were granted for these fees, the I2 member institution or connector would then need to file as an Internet provider, obtaining a SPIN from the Administrator. Discounts or reimbursements should follow the Administrator's standard processing procedures.

Without paying the SEGP fee, schools and libraries cannot access advanced I2 telecommunications services. As currently configured, E-rate Program rules, in effect, prevent access to advanced telecommunications services on an equal basis.

We strongly believe having a different set of rules for Internet2 versus Internet1 clearly violates the intent of the law and the order that address making advanced telecommunications services available to schools and libraries as a key component of the E-rate Program.

5. Consortia

MOREnet believes that many of the same reasons for promoting consortia in the First Order are still very relevant today. Bulk consortia purchasing lowers unit costs to all members, thereby lowering overall costs to the program. Also, diverse consortia membership and their market strength has led to important infrastructure investments in sparsely populated rural areas and other formerly neglected areas. Clearly consortia and its cost-savings have served an important role in bringing technology to schools and libraries, spurring infrastructure investments, and lowering unit costs to the E-rate program overall.

The benefit, to both the Program and the applicant community, of the leveraged buying power of consortia is obvious. If a consortium concludes a contract with a telecommunications provider for a service price below the existing tariff, ineligible entities should not be penalized. This below tariff pre-discount price would be available to all members of the consortia if the E-rate Program did not exist. It therefore make no sense to force ineligible entities to pay a higher cost for services than they could have received had there not been an E-rate Program. This would, in effect, defeat the purpose of gathering educational agencies together to obtain the best possible price for services. The basic rules of the Program regarding discounts being applied to the best available pre-discount price an applicant can acquire under competitive bid practices hold true.

Currently, the Administrator has rules that clearly define eligible entities for purposes of receiving E-rate discounts and ineligible entities. We agree with these and submit that consortia have used these guidelines in determining the appropriate allocation of e-rate eligible costs between consortia members. We appreciate the Commission's interest in further clarifying program rules to assure that the delineations of the program do not inhibit the development of cost-saving, innovative consortia arrangements.

We submit that the Commission's revised Proposed Rule should not apply to any telecommunications services deemed competitive, or where no interstate tariffs exist. Also, there should be nothing that precludes diverse consortia to form when purchasing competitive, non-telecommunications services where market-driven prices determine costs. This will allow consortia to continue to form and procure services based on state or local initiatives and directives. While any consortia will need to follow E-rate Program Rules on the appropriate allocation of costs between program-eligible and program-ineligible entities, we believe that consortia should be free to form and procure services based on their own state and local rules and regulations.

Value of Consortia

Consortia, particularly state networks, provide a little understood, but valuable balance for the Program. Large consortia and state networks function largely with shared resources and shared costs. This situation requires greater scrutiny over expenditures and growth of bandwidth. Most

state networks apply some standards to bandwidth to limit growth and preserve shared resources. This business practice ultimately saves program funds by limiting unbridled bandwidth growth. Large consortia and state networks, by their nature, have lower discount percentage because they are aggregates of many schools and libraries. Consortia file single applications, many for hundreds of schools and libraries. Although a large application may be more time consuming to process individually, we believe it is considerably less time consuming than several hundred applications. We propose that large consortia and state networks receive an additional 5% – 10 % bonus on their discount in recognition of their value to the program. We believe a discount bonus would bring further efficiencies to the program by encouraging consortia development.

Eliminate Averaging Averages

MOREnet would also like to comment on the problem of how discounts for consortia are actually calculated. Consortia must then base their discount level on the average for the members of the consortium. For consortia with libraries, some member discounts are based on school district weighted averages. This results in the requirement to average a set of averages. Not only is “averaging averages” bad math, it does not accurately reflect the actual FRL eligibility of consortium members and results in lower discounts for the consortium. We propose consortia simply divide the number FRL students (frequently posted on state education department web sites) by the total number of student to determine the discount level. It is easy to accomplish and easy to verify.

B. Post Commitment Program Administration

1. Choice of Payment Method

At Paragraphs 30-31, the Commission requests comment on whether program rules should clarify that applicants should have the option of a discount or completing a BEAR Form. MOREnet strongly urges the Commission to specify this choice in program rules. As the Commission recognizes, there are instances where applicants are being forced into payment arrangements that are burdensome and difficult for them. In addition, often applicants face the problem of delayed payment using the BEAR Form process. Sometimes this occurs even when the applicant has confirmed that the service provider has received the check from the Administrator.

MOREnet believes the choice should be available for each payment necessary for the provided service. In this regard, the applicant should have the following choices of payment: 1) discounts on services; 2) reimbursement through the BEAR process; and 3) a combination of discounts and BEARs for each bill. Currently applicants can utilize discounts or BEARs. However, program practice dictates that once an applicant chooses either discounts or BEARs, it does not have the option of changing. This has caused some hardship for smaller applicants and service providers.

For example, smaller providers are not always able to implement a billing system to accommodate discounts during the first quarter of a funding year and would work with an applicant to encourage the choice of BEARs for the first quarter. However, during the following quarters these providers are able to provide discounts on bills that may be more cost effective for

both the applicant and the provider. The applicant should be permitted to work with the provider to use this combination of payment that is mutually beneficial to both the applicant and the provider.

2. Equipment Transferability

In Paragraphs 33-36, the Commission expresses concern that some recipients are replacing, on a yearly or almost-yearly basis, equipment obtained with universal service discounts, and transferring that equipment to other schools or libraries that may not have been eligible for such equipment. In addition, it offers some potential solutions to this activity, which could be considered unfair to other applicants. Rather than difficult to enforce and administratively burdensome regulations, we suggest a change in the discount matrix for Priority Two Services.

Discount Matrix:

We request the Commission to create a separate discount matrix for Priority Two services. We believe such a request addresses the Commission's goal to ensure that the program's benefits (i.e., discounts) are distributed in a fair and equitable manner. A discount matrix with a sliding scale from 10% - 50% (vs. the current 20-90%) has several benefits, including (1) making more applicants eligible for Priority Two services, and (2) making it less likely that applicants will engage in the equipment transfer that the Commission cites as a concern (paragraphs 37-40). The latter would be effective because the larger applicants would have more schools on the same discount band, reducing the incentive to use the current loophole in the rules.

C. Appeals

1. Appeals Procedure

MOREnet strongly supports the Commission's willingness to entertain the appeal extension and the postmark date as the filing date. The appeals process is a legal step applicants take to resolve issues they believe the Administrator inadequately addressed. However, most applicants are neither telecommunications nor legal experts and have been frustrated by the streamlined 30-day appeal window available to them. Applicants do not want to file frivolous appeals. On the other hand, without time to research the issue and understand the context in which a decision was made, it has been necessary to file appeals to maintain the applicants' rights.

In addition, since almost every other E-rate deadline has been based on the postmarked date, such as the filing deadlines for the Form 470 and the Form 471, some applicants have been confused about the differing deadlines for appeals. MOREnet greatly applauds the Commission's flexibility and willingness to incorporate these changes to assist applicants participating in a process mostly foreign to them.

D. Funding successful appeals

Applicants should not be penalized for misunderstandings or mistakes committed by the program. Therefore, it is important for successful appeals to be funded immediately. Funds

should be set aside for pending appeals during the funding year. Should successful appeal demand exceed the supply of set-aside funds, carryover funds from previous years should fund appeals. If carryover funds are exhausted or non-existent, any funds made available through the Form 500 process should be made available for successful appeals. Do not use subsequent years funding for successful appeals.

D. Enforcement Tools

1. Independent Audits

In Paragraphs 54 and 55, the Commission seeks comment on improving oversight capacity to guard against waste, fraud and abuse. Specifically, it seeks comment on a proposal requiring “independent audits of recipients and service providers at recipients’ and service providers’ expense, where the Administrator has reason to believe that potentially serious problems exist, or is directed by the Commission.”

Currently, applicants provide substantial documentation to support their applications. There are already two opportunities for the Administrator to question and verify the accuracy of the information provided: First, during the application process and, second, during the invoicing process. Based on the experience of CCSSO State E-rate Coordinators Working Group, it is rare that Administrator finds applicants recalcitrant in providing additional information. Forcing an applicant to pay for their own program audit would give carte blanche to future program administrators to go on “fishing expeditions” at applicant expense.

We do not concur with this proposal. We believe there currently exists sufficient capacity to guard against fraud, waste, and abuse. We submit that there is little to indicate fraud and abuse of the Program. We believe there is some waste, but it is predominantly caused by the overly complex rules that cause applicants to use less than the most cost effective solutions.

E. Unused Funds

2. Treatment of Unused Funds

In Paragraphs 65 and 66, the Commission reiterates its rules governing unused funding authority and asks for comments on how unused funds should be treated: either credited back to service providers or distributing them in subsequent years. In this case, MOREnet believes Commissioner Copps’ dissent is entirely accurate. “In each year, the Administrator of the E-rate program collects funds up to the cap to meet demand. Yet, although initial estimates were that demand would not exceed the cap for nearly a decade, the program has been so successful that since the first year, requests from our nation’s schools and libraries have exceeded the available funding. All funds, however, are not disbursed for a variety of administrative reasons or because individual schools and libraries do not fully use the money committed to them. Our rules were designed to ensure that funds would be used for their intended purpose or returned *so that other deserving schools could benefit*” (emphasis added).

Since demand consistently outstrips available funding, it is not appropriate to return unspent E-rate funds to telecommunications carriers. In addition, MOREnet finds it hard to reconcile the Commissions concerns about fully funding successful appeals given the funding scenario defined here. If a series of funds are consistently unused, those funds should be available for the appeals. If, however, the Commission has been returning unused funds to telecommunications carriers, MOREnet would argue that those funds should be returned to the fund to meet the demand for that funding year.

III. Revising or Eliminating Outmoded Rules

MOREnet offers a number of program improvements that would increase participation, streamline program administration but guard against waste, fraud and abuse.

Complete Funding Cycle Before Funding Year Begins

This change would significantly increase applicants' abilities to rely on E-rate funds. However, this does not mean that the application date should be earlier. It is important that the funding cycle become as close to the budgeting cycle as possible. This improvement would not require a rule change and the Administrator appears to be headed in this direction.

Extend non-recurring cost commitments for 18 months

It is important to accommodate delayed installation, particularly if funding commitments continue to occur after the funding year has begun. A blanket 18-month installation period for non-recurring services would provide the applicant needed flexibility as well as avoid administratively intense options such as exceptions and waivers.

Establish a mid-point cost estimation standard or +/- 10%

As noted in the NPRM, unused funds are a concern. One of the reasons for unspent funds is local estimation procedure. To reduce the affect of this phenomenon, applicants should be allowed to estimate costs with some factor that allows for potential over estimation and underestimation. This could reduce demand on the fund and could be factored into the Administrator's funding commitment calculations. Large applicants, consortia and state networks are particularly challenged in this arena.

The long lead-time for routine procurements coupled with applying 18 months in advance of complete service use cause over estimation. For example, assume a large consortium of 100 members that expects increased bandwidth requirements for some members. Further note that identification of which members will outgrow their current bandwidth cannot be determined 18 months in advance. A common practice to accommodate this reality under current Program rules is for the consortium to apply for additional services for all or many of its members.

Once the additional bandwidth requirements have been identified, the consortium then notifies the Administrator that some committed funds will not be used. Allowing a large applicant to specify additional requirements based on the average cost of the service would permit the

applicant to have greater flexibility without over estimating actual requirements. We do not believe this improvement requires a rule change.

Allow applicant's access to previous year's forms

Often applicants are applying for the same services each year for the same set of eligible entities. In order to streamline the process for both applicants and Administrator's staff, a simple change of allowing applicants to update their forms from previous years would reduce the administrative burden for the applicant and the Administrator. In addition, another field could be inserted to the on-line process so that an application field that was identical to a previous year's application could be flagged as a duplicate. Since an approved form from previous years would have already passed minimum processing standards, this would simplify the process significantly. Because the funding process pools applications and does not use a first-come, first-served allocation, these applications would not be favored in the funding allocation process. We do not believe this improvement requires a rule change.

Offer applicants the choice of reducing the administrative burden of the Form 486

According to the Administrator, "the Form 486 informs the Fund Administrator, the Schools and Libraries Division of the Universal Service Company, when the Billed Entity and/or eligible entities that it represents is receiving, is scheduled to receive, or has received service in the relevant Funding Year from the named Service Provider (s). Receipt by the Administrator of a properly completed Form 486 triggers the process for Administrator to receive invoices." (Administrator Form 486 Instructions, July 2001) There may be cases where the applicant continues to need the protection that the Form 486 affords. However, there are many services applicants receive regularly for which this additional step is merely a burden.

Therefore, MOREnet recommends that the Administrator offer applicants the option of completing the requirements of the Form 486, including the Children's Internet Protection Act (CIPA) compliance, on the Form 471. These could be included as specific check boxes next to each described service and CIPA certification could be included in a format similar to the technology plan certification. This change would simplify the application process while maintaining program integrity regarding CIPA compliance and appropriate utilization of services. We do not believe this improvement requires a rule change.

Simplified POTS Applications

We recommend the Commission examine the Lifeline (low-income support) Program as a model for basic telephone services. Our understanding of the Lifeline Program is that the provider handles all the paperwork and the low-income applicant merely certifies their eligibility to qualify for this program. In our view, this same approach could be applied to POTS services. Once the provider has been selected through the normal competitive process, the applicant certifies to the provider their FRL data and E-rate Program discount level and the provider applies the discount to the applicant's phone bill and seeks reimbursement from Administrator. This would eliminate the requirement for Forms 471, 486, 472 and considerably streamline the program.

A concern from some commentators might be the risk of fraud, waste, and abuse. In recent NPRM comments regarding the Lifeline Program, there were no substantiated examples of significant fraud, waste, or abuse. (Should we expect less of schools and libraries than the general public? We think not.) Given that self-certification was one of the key components of the program articulated in the Fourth Report and Order; given that there is little competition for basic phone service in most rural areas of the country; and given that there is little risk for fraud, waste, and abuse, this proposal should be thoroughly evaluated rather than being dismissed as unworkable.

Library Discounts

It has become clear that public libraries are discriminated against for Priority Two fund commitments because they must use school district weighted averages while school districts can use FRL discount levels for individual schools. Since there are considerably fewer districts with 90% discounts than individual schools, it is exceptionally difficult for libraries to qualify for Internal Connections funding commitments. While we do not have a specific solution in mind, we do encourage the Commission to closely evaluate what the American Library Association submits in this regard.

Role of the State E-rate Coordinator

Every state but one has at least one person designated by their education and library agencies as an E-rate Coordinator. The mission of the E-rate Coordinator is to assist the applicants within their states, advise on policy and procedural issues, assist the Administrator in contacting applicants, and assist the applicant in contacting the Administrator. The Administrator has recognized the value of the coordinators through bi-weekly telephone conference calls and email lists. The Administrator enjoys a considerable savings in staff resources through the state coordinators' efforts. Without the state coordinators, the Administrator's Client Service Bureau would need a considerably larger and more knowledgeable staff. Annual training sessions conducted by the Administrator could be much better attended if state coordinators were not required to fund their own travel, particularly given the extremely tight budget situations facing most states. The cost of this travel expense, likely \$100,000 to \$150,000 annually, is considerably less than what would be required for the Administrator to bear if there were not state E-rate Coordinators. We submit that, as a matter of policy, the Commission should mandate that the Administrator fund travel expenses associated with annual training sessions for the state coordinators.

Urban/Rural Designation:

The urban/rural designation is based on erroneous assumptions concerning costs of services. In Missouri, an applicant in an urban area pays the exact same amount for a T1 frame relay circuit (from the same provider), as does an applicant in a rural area. If in the same discount band, the rural applicant would receive the larger discount. The current discount rate differential between rural and urban applicants with NSLP eligibility below the 50% level is an unnecessary distinction requiring an additional application review step. The distinction reflects neither an

applicant's ability to pay for services, which is already captured in the NSLP eligibility steps, nor in an applicant's cost of service. Other Universal Service programs work to balance the costs of telecommunications and Internet access. We submit the best solution is to simply eliminate the urban/rural discount differential in the interest of reducing administrative costs and reflecting pricing reality by providers. We recommend retention on the rural location discount while eliminating the urban location discount.

If this solution is not feasible, we suggest the FCC examine the possibility of using the Rural/Non-rural designations used by the Universal Service High Cost program in the E-rate Program. While we have not undertaken research to determine impact, we suggest it as a possible alternative to the current framework.

IV. Conclusion

MOREnet appreciates the opportunity to comment on the proposed rules. We have been involved in the E-rate Program since before the official start of the Program. We see daily, the value of the program to the schools and libraries of Missouri, but believe that the rules can be, indeed must be, simplified. The goal of the next round of rule changes should be to make this Program applicant centric rather than Administrator and provider centric. We urge the Commission to pay close attention to the comments submitted by the applicant community and their representatives.